

 **SUMMIT COMMUNICATIONS, INC.**



3633 136th Place S.E. / Suite #107 / Bellevue, WA 98006  
206-747-4600

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SEP 30 1993

FOC-124110M

September 28, 1993

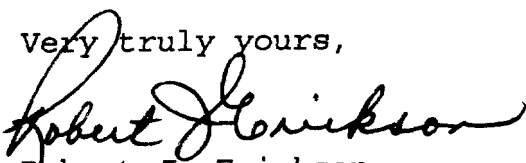
Office of the Secretary  
Federal Communications Commission  
1919 M Street, NW  
Washington, DC 20554

RE: Comments of Summit Communications, Inc., concerning the  
Notice of Proposed Rulemaking, MM Docket No. 92-266,  
released August 27, 1993.

Enclosed are an original and nine copies of our comments  
regarding the Notice of Proposed Rulemaking described above.

If you should have any questions about the enclosed, please  
do not hesitate to call.

Very truly yours,

  
Robert J. Erickson  
Senior Vice President

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BEFORE THE  
FEDERAL COMMUNICATIONS COMMISSION  
WASHINGTON, DC 20554

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SEP 30 1993

In the Matter of )  
 )  
Implementation of Sections )  
of the Cable Television )  
Consumer Protection and )  
Competition Act )  
of 1992 )  
 )  
Rate Regulation )

FCC-MAIL ROOM

MM Docket 92-266

To: The Commission

COMMENTS OF SUMMIT COMMUNICATIONS, INC., CONCERNING THE  
THIRD NOTICE OF PROPOSED RULEMAKING RELEASED AUGUST 27, 1993

Date: September 28, 1993

James A. Hirshfield  
President

Robert J. Erickson  
Senior Vice President

Summit Communications, Inc.  
3633 136th Pl. SE, Suite 107  
Bellevue, WA 98006  
(206) 747-4600

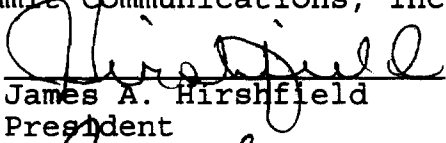
## COMMENTS


1. Section 141 discusses pass-through of programming costs on an ongoing basis. Unfortunately, it assumes the cable system is already regulated and price-capped. The Commission should also make its methodology available to systems which have not yet been regulated. That is, systems adding or deleting channels should be allowed to adjust benchmarks as if this rule were in effect, and include such adjustments in their initial Form 393 filing. Otherwise, if a franchising authority has not certified, the cable system is financially motivated to add inexpensive satellite channels in order to improve a potential future benchmark showing, at acceptable cost. Instead, the operator will not add an expensive satellite channel, as the cable system may be subsequently certified, and the operator would have no way of recovering such costs.
2. Cost of upgrades required by local franchising authorities (Sections 153, 154). External treatment should be allowed for increased franchise costs, including upgrades. This has the benefit of surfacing these costs and making them a visible part of franchise discussions. It would tie franchise requirements for increased costs to the economic return expected from such costs, and maintain consistency with the Commission's benchmark tables.
3. Regarding alternative methods of handling upgrade costs, if the external treatment suggested in section 153 is not adopted for all systems, it should be adopted for systems under 5,000 customers. Our premise is that cost of service showings for smaller systems will generate a higher regulatory cost per customer than is reasonable.
4. We do not believe that local franchise authorities should determine the way in which rates are adjusted to reflect increased costs. Smaller municipalities lack the expertise to do this. All municipalities would have to contend with a conflict of interest between the political desire for lower rates and the constitutional requirement to allow a fair return to the cable company. We believe that this conflict of interest would result in many such local determinations being appealed to the Commission. However, we believe that a methodology to adjust rates for such upgrades which both the franchise authority and the cable operator support would be an acceptable (and administratively simple) alternative for recovering required upgrade costs, and should be allowed.
5. The amortization of the cost of system upgrades is of particular concern to small cable operators, who often encounter franchise demands

for a plethora of investments which might be sustainable in large cities, but make no economic sense in small markets.

Respectfully submitted,

Summit Communications, Inc.

By:   
James A. Hirshfield  
President

By:   
Robert J. Erickson  
CPA

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